

BANK INDONESIA REGULATION
NUMBER 18/19/PBI/2016
ON
FOREIGN EXCHANGE TRANSACTIONS AGAINST RUPIAH
BETWEEN BANK AND FOREIGN PARTY

BY THE BLESSINGS OF ALMIGHTY GOD

GOVERNOR OF BANK INDONESIA,

- Considering :
- a. that Bank Indonesia aims to achieve and maintain rupiah stability;
 - b. that to achieve rupiah stability, a liquid and efficient financial market is necessary to support national economic activities;
 - c. that a liquid and efficient financial market may be achieved through comprehensive development of domestic foreign exchange market by observing the prudential principle in conducting transactions in foreign exchange market;
 - d. that in developing the domestic foreign exchange market, it is necessary to apply a comprehensive regulation through instrument enrichment, infrastructure development, and market credibility improvement;
 - e. that based on the foregoing considerations as referred to in letter a, letter b, letter c, and letter d, it is necessary to issue Bank Indonesia Regulation on Foreign Exchange Transactions against Rupiah between Bank and Foreign Party;

- Observing :
1. Law Number 23 of 1999 on Bank Indonesia (State Gazette of the Republic of Indonesia of 1999 Number 66, Supplement to State Gazette of the Republic of Indonesia Number 3843) as several times amended, last by Law Number 6 of 2009 on Establishment of Government Regulation in Lieu of Law Number 2 of 2008 on the Second Amendment to Law Number 23 of 1999 on Bank Indonesia becomes a Law (State Gazette of the Republic of Indonesia of 2009 Number 7, Supplement to State Gazette of the Republic of Indonesia Number 4962);
 2. Law Number 24 of 1999 on Foreign Exchange Flow and Exchange Rate System (State Gazette of the Republic of Indonesia of 1999 Number 67, Supplement to State Gazette of the Republic of Indonesia Number 3844);

HAS DECIDED:

To enact : BANK INDONESIA REGULATION ON FOREIGN EXCHANGE TRANSACTIONS AGAINST RUPIAH BETWEEN BANK AND FOREIGN PARTY.

CHAPTER I

GENERAL PROVISIONS

Article 1

In this Bank Indonesia Regulation:

1. Bank means a Commercial Bank as referred to in the Law on Banks and a Sharia Commercial Bank and Sharia Business Unit as referred to in the Law on Sharia Banks, including the branch office of a bank domiciled overseas but excluding the office of a Commercial Bank and Sharia Commercial Bank incorporated in Indonesia and operating overseas.

2. Foreign Party means:
 - a. a foreign citizen;
 - b. a foreign legal entity or any other foreign institution;
 - c. an Indonesian citizen with permanent resident status in another country and not domiciled in Indonesia;
 - d. an overseas office of a Bank headquartered in Indonesia; or
 - e. an overseas office of a company incorporated in Indonesia.
3. Foreign Citizen means a person with citizenship other than Indonesian, including a person with permanent residence permit or stay permit in Indonesia.
4. Foreign Legal Entity or Other Foreign Institution means a legal entity or foreign institution incorporated overseas, excluding:
 - a. a branch office of a bank domiciled overseas;
 - b. a foreign direct investment company; or
 - c. a foreign legal entity or foreign institution with non-profit activities.
5. Foreign Exchange Transaction against Rupiah means a transaction of selling and purchasing a foreign currency against Rupiah.
6. Foreign Exchange Derivative Transaction against Rupiah means a transaction based on contract or payment agreement which value is a derivative of foreign exchange against Rupiah, combination of derivative of foreign exchange against Rupiah and interest rate (foreign currency and Rupiah), or combination of inter-derivative of foreign exchange against Rupiah.
7. Underlying Transaction means an activity that underlies a purchase or sale of foreign currency against Rupiah.

8. Credit or Financing means a provision of cash or equivalent loan thereto based on a loan agreement between a Bank and another party, which requires the borrower to repay its debts after a certain period of time with an interest or fee, including:
 - a. overdraft, namely negative balance in a customer's current account unsettled at the end of a day;
 - b. takeover of loan for factoring activity; or
 - c. takeover or purchase of credit from another party.
9. Rupiah Transfer means transfer of Rupiah fund for a fund beneficiary for the interest of a Bank or its customers, through a cash deposit or an overbooking between accounts at the same Bank or a wire transfer between accounts at different Banks, resulting in an increase in the balance of fund beneficiary's Rupiah account.
10. Securities mean promissory notes, draft, bond, credit security, or each of their derivatives, or any other interest, or an issuer's obligations, in a commonly tradable form in the capital market and money market, including bonds issued by a multilateral or supranational institution, which funds resulting from the issuance of the bonds are used to finance economic activities in Indonesia, including securities based on sharia principle.
11. Spot Transaction means a selling or purchasing of foreign currency against Rupiah where settlement is conducted within 2 (two) working days after a transaction date, including transaction with same day settlement (today) or 1 (one) working day after a transaction date (tomorrow).

12. Prime Bank means a bank with a certain investment rating from a rating agency with total assets listed in the world's top 200 (two hundred) banks based on information in the Banker's Almanac.
13. Call Spread Option means a combination of call option buy and a call option sell conducted simultaneously based on a transaction contract at a different strike price and the same nominal amount.

CHAPTER II TRANSACTIONS

Part One

Scope of Foreign Exchange Transaction against Rupiah

Article 2

- (1) Foreign Exchange Transaction against Rupiah consist of:
 - a. Spot Transaction; and
 - b. Foreign Exchange Derivative Transaction against Rupiah.
- (2) Foreign Exchange Derivative Transaction against Rupiah as referred to in paragraph (1) letter b consist of :
 - a. plain vanilla derivative, in the form of forward, swap, option, and cross currency swap (CCS); and
 - b. structured product transaction on foreign exchange against Rupiah in the form of Call Spread Option.

Part Two

Foreign Exchange Transaction against Rupiah

Article 3

- (1) Bank may conduct Foreign Exchange Transaction against Rupiah with a Foreign Party based on a contract.

- (2) In conducting Foreign Exchange Transaction against Rupiah, a Bank is required to:
 - a. comply with banking authority's provisions on the category of Bank which may conduct foreign exchange transaction activities;
 - b. apply the risk management as referred to in the banking authority's provisions on application of Bank's risk management;
 - c. provide education on Foreign Exchange Derivative Transaction against Rupiah to a Foreign Party to conduct Foreign Exchange Derivative Transaction against Rupiah; and
 - d. comply with Bank Indonesia provisions on mandatory use of Rupiah.
- (3) In conducting Foreign Exchange Transaction against Rupiah with a Foreign Party, a Bank is required to use exchange rate quotation against Rupiah determined by the Bank.
- (4) In the event that Bank conducts a structured product transaction on foreign exchange against Rupiah in the form of Call Spread Option as referred to in Article 2 paragraph (2) letter b, in addition to meeting the obligation as referred to in paragraph (2), a Bank is also required to comply with the banking authority's provisions on prudential principles in conducting structured product activities for commercial banks.
- (5) Further provisions on contract, education for customers, and exchange rate quotation in paragraph (1), paragraph (2), and paragraph (3) will be regulated in a Circular Letter of Bank Indonesia.

Article 4

- (1) The Foreign Exchange Transaction against Rupiah in the form of Spot Transaction as referred to in Article 2 paragraph (1) letter a and plain vanilla derivative as referred to in Article 2 paragraph (2) letter a conducted by a Bank and a Foreign Party above certain threshold is required to have an Underlying Transaction.
- (2) The structured product transaction on foreign exchange against Rupiah in the form of Call Spread Option as referred to in Article 2 paragraph (2) letter b is required to have an Underlying Transaction.
- (3) The Underlying Transaction as referred to in paragraph (1) and paragraph (2) consist of all of the following activities:
 - a. trade of goods and services, both in domestic and overseas; and/or
 - b. investment in the form of foreign direct investment, portfolio investment, loan, capital, and any other investments both in domestic and overseas.
- (4) The Underlying Transaction as referred to in paragraph (3) consists of income and expense estimation.
- (5) The Underlying Transaction as referred to in paragraph (3) excludes:
 - a. use of Bank Indonesia Certificate for Foreign Exchange Derivative Transaction against Rupiah;
 - b. fund placement with Bank among others savings account, current account, time deposit, and negotiable certificate of deposit;
 - c. unwithdrawn credit facility, includes among others standby loan and undisbursed loan; and
 - d. use of Bank Indonesia Securities in foreign currencies.

- (6) Specifically for a sale of foreign exchange transaction against Rupiah through forward transaction by a Foreign Party to a Bank and for Rupiah transfer to an account owned by a Foreign Party, an Underlying Transaction also consists of fund ownership in foreign currency in domestic and abroad, among others in the form of savings account, current account, time deposit, and negotiable certificate of deposit.
- (7) Further provisions on Underlying Transaction as referred to in paragraph (1), paragraph (2), paragraph (3), paragraph (5), and paragraph (6) will be regulated in a Circular Letter of Bank Indonesia.

Part Three

Spot Transaction between Bank and Foreign Party

Article 5

- (1) The threshold as referred to in Article 4 paragraph (1) for a purchase of a foreign currency against Rupiah by a Foreign Party to a Bank through Spot Transaction is USD25,000.00 (twenty-five thousand United States dollars) or its equivalent per month per Foreign Party.
- (2) The Purchase of foreign currency against Rupiah by a Foreign Party to Bank as referred to in paragraph (1) is prohibited to exceed the nominal amount of its Underlying Transaction.
- (3) In the event of the nominal amount of the Underlying Transaction as referred to in paragraph (2) is not in the multiples of USD5,000.00 (five thousand United States dollars), such amount may be rounded up in the multiples of USD5,000.00 (five thousand United States dollars).
- (4) Further provisions on the certain amount (threshold) as referred to in paragraph (1), paragraph (2), and paragraph (3) will be regulated in a Circular Letter of Bank Indonesia.

Part Four

Plain Vanilla Derivative between a Bank and a Foreign Party

Article 6

- (1) For the sale of foreign currency against Rupiah through plain vanilla derivative between a Bank and Foreign Party and purchase of foreign currency against Rupiah through plain vanilla derivative between a Bank and Foreign Party, the threshold as referred to in Article 4 paragraph (1) is USD1,000,000.00 (one million United States dollars) or its equivalent per transaction per Foreign Party and per outstanding position per Bank.
- (2) The threshold as referred to in Article 4 paragraph (1) for sale of a foreign currency against Rupiah through Forward Transaction is USD5,000,000.00 (five thousand United States dollars) or its equivalent per transaction per Foreign Party.
- (3) The sale of foreign currency against Rupiah through plain vanilla derivative and purchase of foreign currency against Rupiah through plain vanilla derivative as referred to in paragraph (1) and sale of foreign currency against Rupiah through forward transaction as referred to in paragraph (2) are prohibited to exceed the nominal value of the Underlying Transaction.
- (4) In the event of nominal amount of the Underlying Transaction as referred to in paragraph (3) is not in the multiples of USD10,000.00 (ten thousand United States dollars), such amount may be rounded up in the multiples of USD10,000.00 (ten thousand United States dollars).
- (5) The tenor of purchase and sale of foreign currencies against Rupiah by a Bank to a Foreign Party is prohibited to exceed the tenor of the Underlying Transaction.

- (6) Further provisions on the certain amount (threshold) and the rounding of multiples as referred to in paragraph (1), paragraph (2), paragraph (3), and paragraph (4) will be regulated in a Circular Letter of Bank Indonesia.

Article 7

- (1) In the event of an Underlying Transaction of a Foreign Exchange Derivative Transaction against Rupiah is in the form of investment as referred to in Article 4 paragraph (3) letter b, the derivative transaction is required to comply with the following provisions:
- a. realization of investment is proven; and
 - b. the highest value of Foreign Exchange Derivative Transaction against Rupiah for investment shall be no more than the value of the realization of investment stated in an Underlying Transaction document.
- (2) Further provisions on the realization of investment as referred to in paragraph (1) will be regulated in a Circular Letter of Bank Indonesia.

Article 8

Foreign Exchange Derivative Transaction against Rupiah may also be conducted by a Bank and Foreign Party for the Bank's cover hedging.

Article 9

The obligation to have Underlying Transaction for a Foreign Exchange Derivative Transaction against Rupiah by a Foreign Party to a Bank as referred to in Article 4 paragraph (1) and Article 4 paragraph (2) shall not apply to settlement of an initial Foreign Exchange Derivative Transaction against Rupiah conducted through:

- a. roll over, provided that the tenor of roll over shall not exceed the tenor of the initial Underlying Transaction;
- b. early termination of a transaction; or
- c. unwind.

Part Five

Structured Product Transaction between Foreign Currency against Rupiah in the Form of Call Spread Option

Article 10

- (1) A Bank is prohibited to conduct any structured product transaction on foreign currency against Rupiah.
- (2) The prohibition as referred to in paragraph (1) also applies to a Bank as a selling agent.
- (3) The prohibition as referred to in paragraph (1) is exempted for structured products transaction on foreign currencies against Rupiah in the form of Call Spread Option which meet the following requirements:
 - a supported by the Underlying Transactions as referred to in Article 4 paragraph (3) and Article 4 paragraph (4);
 - b the nominal value of structured product transaction on foreign currency against Rupiah in the form of Call Spread Option shall not exceed the nominal value of its Underlying Transaction; and
 - c the tenor of structured product transaction on foreign currency against Rupiah in the form of Call Spread Option shall not exceed the tenor of its Underlying Transaction.
- (4) Further provisions on structured product of foreign currency and Rupiah as referred to in paragraph (3) will be regulated in a Circular Letter of Bank Indonesia.

Article 11

- (1) The structured product transaction on foreign exchange against Rupiah in the form of Call Spread Option as referred to in Article 2 paragraph (2) letter b is required to be conducted through dynamic hedging.
- (2) The dynamic hedging transaction as referred to in paragraph (1) is conducted to ensure the participant of

Call Spread Option transaction is not exposed to the exchange rate risk due to the market rate exceeds the range of the initial Call Spread Option rate.

- (3) The dynamic hedging transaction as referred to in paragraph (1) is required to be conducted based on the following:
- a. the range of the exchange rate does not overlap the range of the exchange rate of the initial Call Spread Option transaction;
 - b. the range of the exchange rate does not have a gap with the range of the exchange rate of the initial Call Spread Option transaction;
 - c. use the same outstanding Underlying Transaction;
 - d. the nominal is not cumulative;
 - e. the tenor is :
 - 1) at least 6 (six) months for an initial Call Spread Option transaction with remaining tenor of 6 (six) months or more; or
 - 2) follows the remaining tenor of an initial Call Spread Option transaction with the remaining tenor less than 6 (six) months; and
 - f. is conducted no later than 1 (one) working day after the market rate exceeds the range of the exchange rate of an initial Call Spread Option.
- (4) Further provisions on the dynamic hedging as referred to in paragraph (1) and paragraph (3) will be regulated in a Circular Letter of Bank Indonesia.

Article 12

- (1) A Spot Transaction made for a Call Spread Option transaction may use the same Underlying Transaction as the initial Call Spread Option transaction.
- (2) Further provisions on the Underlying Transaction as referred to in paragraph (1) will be regulated in a Circular Letter of Bank Indonesia.

CHAPTER III
SETTLEMENTS OF TRANSACTIONS

Article 13

- (1) The Spot Transaction as referred to in Article 2 paragraph (1) letter a between a Bank and Foreign Party is required to be settled through full transfer of the principal fund.
- (2) Foreign Exchange Derivative Transaction against Rupiah as referred to in Article 2 paragraph (2) between a Bank and Foreign Party is required to be settled through netting or full transfer of the principal fund.
- (3) Foreign Exchange Derivative Transaction against Rupiah between a Bank and Foreign Party, which may be conducted through netting as referred to in paragraph (2), applies only for roll over, early termination, and unwind.
- (4) Selling of foreign currencies against Rupiah by a Foreign Party to a Bank through forward transactions with a nominal value of transaction up to a threshold as referred to in Article 6 paragraph (2) is required to be settled through full transfer of principal fund.
- (5) The obligation of full transfer of principal fund for settlements of selling of foreign currencies against Rupiah by a Foreign Party to a Bank through forward transactions with a maximum nominal value of transaction up to the threshold as referred to in paragraph (4) is as follows:
 - a. full transfer of principal fund is conducted when a selling forward transaction due;

- b. in the event of roll over or early termination is conducted, full transfer of principal fund will be conducted upon expiration of a contract for roll over or early termination; and
 - c. the roll over or early termination as referred to in letter b may be conducted to the extent it is supported by an Underlying Transaction of an initial selling forward transaction.
- (6) The selling of foreign currencies against Rupiah through forward transaction with a maximum nominal value of transaction up to the threshold as referred to in paragraph (4) may not be settled through unwind.
 - (7) The selling of foreign currencies against Rupiah by a Foreign Party to a Bank through forward transaction by using an Underlying Transaction in the form of foreign currency fund ownership in domestic and abroad as referred to in Article 4 paragraph (6) is required to be settled through full transfer of principal fund.
 - (8) Further provisions on the transaction settlement as referred to in paragraph (1), paragraph (2), paragraph (3), paragraph (4), paragraph (6), and paragraph (7) will be regulated in a Circular Letter of Bank Indonesia.

Article 14

- (1) The settlement of plain vanilla Foreign Exchange Derivative Transaction against Rupiah as referred to in Article 2 paragraph (2) letter a between a Bank and Foreign Party through netting as referred to in Article 13 paragraph (3) with a maximum nominal value up to the threshold as referred to in Article 6 paragraph (1) may be conducted to the extent it is supported by an Underlying Transaction of an initial Foreign Exchange Derivative Transaction against Rupiah.
- (2) In the event of the settlement of an initial Foreign Exchange Derivative Transaction against Rupiah as referred to in paragraph (1), a Foreign Party fails to submit an Underlying Transaction document, such initial transaction is required to be settled through full transfer of principal fund.

- (3) Further provisions on the transaction settlement as referred to in paragraph (1) and paragraph (2) will be regulated in a Circular Letter of Bank Indonesia.

CHAPTER IV

TRANSACTION PROHIBITIONS FOR BANKS AND EXEMPTIONS

Part One

Prohibitions for Banks

Article 15

A Bank is prohibited to conduct certain transactions with a Foreign Party as follows:

- a. extension of Credit or Financing in Rupiah and/or foreign currency;
- b. deposit in Rupiah;
- c. purchase of Securities in Rupiah issued by a Foreign Party;
- d. interoffices invoicing in Rupiah;
- e. interoffices invoicing in foreign currency for extension of Credit or Financing abroad; and
- f. capital authorization in Rupiah.

Part Two
Exemptions of Prohibitions

Article 16

The prohibitions of Credit or Financing extension as referred to in Article 15 letter a do not apply to:

- a. non-cash Credit or Financing or guarantee pertaining to investment activities in Indonesia, which complies with the following requirements:
 - 1) obtain counter guarantee from a Prime Bank which is not:
 - a) the Bank's branch overseas office; and
 - b) the branch of foreign bank in domestic or abroad; or
 - 2) deposit guarantee of 100% (one hundred percent) of the provided guarantee value;
- b. Credit or Financing in the form of syndication which complies with the following requirements:
 - 1) include a Prime Bank as the lead bank which meets the following requirements:
 - a) has the following minimum investment rating given by a rating agency:
 - i. BBB- from Standard & Poor's;
 - ii. Baa3 from Moody's;
 - iii. BBB- from Fitch; or
 - iv. equal to the rating as referred to in item i, item ii, and/or item iii based on the evaluation of other prominent rating agencies determined by Bank Indonesia; based on evaluation of the Bank's long-term outlook; and

- b) has total assets included in the world's top 200 (two hundred) banks based on the information in the Banker's Almanac,
 - 2) extended for project financing in the real sector for productive businesses within Indonesia; and
 - 3) contribution of a foreign bank as a syndication member higher than the Bank's contribution in the country,
- c. credit cards;
 - d. Credit or Financing for consumptions used in domestic ;
 - e. intraday overdraft in Rupiah or foreign currency supported by an authenticated document indicating confirmation of incoming funds to the relevant account on the same day and meeting the requirements specified in a Circular Letter of Bank Indonesia;
 - f. overdraft in Rupiah or foreign currency due to imposition of administrative costs; and
 - g. invoice takeover from an agency appointed by the government to manage the Bank's assets for Indonesian banking restructuring by a Foreign Party which payment is guaranteed by a Prime Bank.

Article 17

The prohibitions of Securities purchase as referred to in Article 15 letter c do not apply to:

- a. Securities purchase related to exports of goods from Indonesia and imports of goods to Indonesia and domestic trade; and
- b. Purchase of bank draft in Rupiah issued by a bank overseas for Indonesian migrant workers working overseas and received in domestic not by a Foreign Party.

CHAPTER V
RUPIAH TRANSFER TO A FOREIGN PARTY

Article 18

A Bank is prohibited to conduct Rupiah Transfer to abroad.

Article 19

- (1) A Bank may conduct Rupiah Transfer to a Foreign Party's account and/or a joint account between a Foreign Party and non-Foreign Party to domestic Bank if any of the following applies:
 - a. the nominal amount of the Rupiah Transfer is up to the equivalent of USD1,000,000.00 (one million United States dollars) per day per Foreign Party; or
 - b. it is conducted between Rupiah accounts of the same Foreign Party.
- (2) In the event of a Rupiah Transfer to Foreign Party's account comes from a transaction other than Foreign Exchange Derivative Transaction against Rupiah in a nominal value higher than the equivalent of USD1,000,000.00 (one million United States dollars) per day per Foreign Party, Bank as the Rupiah Transfer beneficiary is required to ensure that the Foreign Party has an Underlying Transaction.
- (3) In the event of Rupiah Transfer to Foreign Party's account is conducted for settlement of an initial Foreign Exchange Derivative Transaction against Rupiah through:
 - a. roll over, provided that the tenor of roll over shall not exceed the tenor of the initial Underlying Transaction;
 - b. early termination of a transaction; or
 - c. unwind.

a Bank is not required to request an Underlying Transaction to the Foreign Party.

- (4) Bank as a Rupiah Transfer beneficiary designated by a Foreign Party is required to verify the status of the fund beneficiary.
- (5) Further provisions on Rupiah Transfer to a Foreign Party as referred to in paragraph (1), paragraph (2), paragraph (3), and paragraph (4) will be regulated in a Circular Letter of Bank Indonesia.

CHAPTER VI

TRANSACTION DOCUMENTS

Part One

Types of Underlying Documents for Foreign Exchange Transaction against Rupiah

Article 20

- (1) The types of Underlying Transaction documents for Foreign Exchange Transaction against Rupiah are determined by Bank Indonesia.
- (2) Invoice in foreign currencies of transaction which Rupiah is required as regulated in Bank Indonesia provisions for mandatory use of rupiah within the territory of the Republic of Indonesia must not be used as Underlying Transaction documents for Foreign Exchange Transaction against Rupiah.
- (3) Further provisions on the determination of types of Underlying Transaction documents as referred to in paragraph (1) and paragraph (2) will be regulated in a Circular Letter of Bank Indonesia.

Part Two

Spot Transaction Documents between Bank and Foreign Party

Article 21

- (1) In the event that a Foreign Party purchases foreign currency against Rupiah to a Bank through a Spot Transaction in the nominal value above a threshold as referred to in Article 5 paragraph (1), the Bank is required to ensure the Foreign Party submits the following documents:
 - a. justifiable documents of Underlying Transaction, both final and estimation; and
 - b. supporting document in the form of authenticated written statement from the Foreign Party containing the following informations :
 - 1) authenticity and accuracy of the Underlying Transaction documents as referred to in letter a;
 - 2) use of Underlying Transaction documents for purchase of foreign currencies against Rupiah in a maximum amount equal to the Underlying Transaction in Indonesia's banking system; and
 - 3) the required amount, purpose of use, and foreign currency use date if the Underlying Transaction document as referred to in letter a is an estimation.
- (2) In the event that a Foreign Party purchases foreign currency against Rupiah to a Bank through a Spot Transaction with a maximum nominal value of transaction up to threshold as referred to in Article 5 paragraph (1), the Bank is required to ensure the Foreign Party submits a supporting document containing an authenticated written statement declaring that such purchase does not exceed USD25,000.00 (twenty-five thousand United States dollars) or

its equivalent per month per Foreign Party in Indonesia's banking system.

- (3) Further provisions on Underlying Transactions, supporting documents, and types of Underlying Transaction documents as referred to in paragraph (1) and paragraph (2) will be regulated in a Circular Letter of Bank Indonesia.

Part Three

Documents of Foreign Exchange Derivative Transaction against Rupiah between a Bank and Foreign Party

Article 22

- (1) In the event that a Bank conducts a plain vanilla derivative transaction higher than threshold as referred to in Article 4 paragraph (1) and structured product transaction of foreign exchange against Rupiah as referred to in Article 4 paragraph (2) Bank is required to ensure the Foreign Party submits following documents:
 - a. justifiable documents of Underlying Transaction, both final and estimation; and
 - b. supporting document in the form of authenticated written statement from the Foreign Party containing the following informations :
 - 1) authenticity and accuracy of the Underlying Transaction documents as referred to in letter a;
 - 2) use of Underlying Transaction documents for purchase of foreign currencies against Rupiah with a maximum amount equal to the Underlying Transaction in Indonesia's banking system; and
 - 3) the required amount, purpose of use, and foreign currency use date if the Underlying Transaction document as referred to in letter a

is an estimation.

- 4) source of fund, selling amount, and foreign currency availability date if the Underlying Transaction document as referred to in letter a is an estimation of such selling.
- (2) In the event that a Foreign Party settles a Foreign Exchange Derivative Transaction against Rupiah with a maximum nominal value of transaction up to threshold through netting as referred to in Article 13 paragraph (1), the Foreign Party is required to submit the documents as referred to in paragraph (1).
- (3) Further provisions on the Underlying Transaction documents and supporting documents as referred to in paragraph (1) and paragraph (2) will be regulated in a Circular Letter of Bank Indonesia.

Part Four

Rupiah Transfer Documents

Article 23

In the event of Rupiah Transfer to a Foreign Party comes from a source other than a Foreign Exchange Derivative Transaction against Rupiah above the equivalent of USD1,000,000,000.00 (one million United States dollars) per day per Foreign Party as referred to in Article 19 paragraph (2), the Bank as Rupiah Transfer beneficiary is required to ensure the Foreign Party submits justifiable Underlying Transaction documents.

Part Five

Submission of Documents

Article 24

- (1) A Bank must ensure a Foreign Party submits Underlying Transaction documents and/or supporting documents of a Foreign Exchange Transaction against Rupiah for

purchase of foreign currency against Rupiah through a Spot Transaction as referred to in Article 21 and Foreign Exchange Derivative Transaction against Rupiah as referred to in Article 22 on a transaction date for each transaction.

- (2) The Underlying Transaction documents and/or supporting documents as referred to in paragraph (1) for a Spot Transaction is required to be received by a Bank no later than a value date.
- (3) The Underlying Transaction documents and/or supporting documents as referred to in paragraph (1) for a Foreign Exchange Derivative Transaction against Rupiah is required to be received by a Bank no later than 5 (five) working days after the transaction date.
- (4) In the event of a Foreign Exchange Derivative Transaction against Rupiah as referred to in paragraph (3) has a value date less than 5 (five) working days after the transaction date, then the Underlying Transaction documents and/or supporting documents is required to be received by a Bank no later than the due date.
- (5) The Underlying Transaction documents and/or supporting documents of a Foreign Exchange Derivative Transaction against Rupiah with maximum nominal amount up to the threshold, which to be settled through netting, is required to be received by a Bank no later than:
 - a. a value date in the event of unwind is conducted through a Spot Transaction;
 - b. 5 (five) working days after a transaction date in the event of roll over, early termination, and unwind are conducted through a Foreign Exchange Derivative Transaction against Rupiah; or
 - c. a due date in the event of roll over, early termination, and unwind are conducted through a Foreign Exchange Derivative Transaction against Rupiah with a due date of less than 5 (five) working days.

- (6) The Underlying Transaction documents for Rupiah Transfer as referred to in Article 23 is required to be received by a Bank no later than additional Rupiah fund receive by a Foreign Party.
- (7) Further provisions on the submission of documents a referred to in paragraph (1) will be regulated in a Circular Letter of Bank Indonesia.

Article 25

- (1) A Bank may receive supporting documents of Foreign Exchange Transaction against Rupiah submitted by a Foreign Party periodically under the following provisions:
 - a. Underlying Transaction documents shall be final; and
 - b. the Bank has properly recognized the Foreign Party's track record.
- (2) In the event that a Bank performs a custodian function and complies with the provisions as referred to in paragraph (1), supporting documents may be received from a Foreign Party at least once in 1 (one) calendar year.
- (3) In the event that a Bank does not perform a custodian function and a Foreign Party complies with the provisions as referred to in paragraph (1), supporting documents may be received at least once in 1 (one) month .
- (4) A Bank may receive supporting documents submitted by a Foreign Party for purchase of foreign currency against Rupiah through a Spot Transaction with a maximum amount of USD25,000.00 (twenty-five thousand United States dollars) or its equivalent per month per Foreign Party at least once in 1 (one) month.
- (5) Further provisions on submission and receipt of documents as referred to in paragraph (1), paragraph (2), paragraph (3), and paragraph (4) will be regulated in a Circular Letter of Bank Indonesia.

Article 26

A Bank is required to administer the Underlying Transaction documents and/or supporting documents as referred to in Article 21 paragraph (1), Article 21 paragraph (2), Article 22 paragraph (1), and Article 23.

CHAPTER VII

TRANSACTION REPORTING

Article 27

A Bank must submit reports of Transactions of Foreign Exchange Transaction against Rupiah through the reporting system of Bank Indonesia.

CHAPTER VIII

SANCTIONS

Article 28

- (1) Any Bank breaching the provisions as referred to in Article 3 paragraph (2) letter c, Article 3 paragraph (3), and/or Article 26 will be subject to sanction in the form of an administrative sanction in the form of written warning.
- (2) Any Bank breaching the provisions as referred to in Article 3 paragraph (2) letter a shall be subject to sanction as specified in the banking authority provisions on categories of Banks which may conduct foreign currency transaction activities.
- (3) Any Bank breaching the provisions as referred to in Article 3 paragraph (2) letter b shall be subject to sanctions as specified in the banking authority provisions on application of Bank's risk management.
- (4) Any Bank breaching the provisions as referred to in Article 3 paragraph (2) letter d shall be subject to sanctions as specified in Bank Indonesia provisions on mandatory use of Rupiah.

- (5) Any Bank breaching the provisions as referred to in Article 3 paragraph (4) shall be subject to sanctions as specified in the banking authority provisions on the prudential principles in conducting activities of structured products foreign exchange transaction against Rupiah for commercial banks.
- (6) Further provisions on the sanctions as referred to in paragraph (1) will be regulated in a Circular Letter of Bank Indonesia.

Article 29

- (1) Any Bank breaching the provisions as referred to in Article 4 paragraph (1), Article 4 paragraph (2), Article 5 paragraph (2), Article 6 paragraph (3), Article 6 paragraph (5), Article 7 paragraph (1), Article 10 paragraph (1), Article 11 paragraph (1), Article 11 paragraph (3), Article 13 paragraph (1), Article 13 paragraph (4), Article 13 paragraph (7), Article 15, Article 18, Article 19 paragraph (2), Article 19 paragraph (4), Article 21 paragraph (1), Article 21 paragraph (2), Article 22 paragraph (1), Article 22 paragraph (2), Article 23, Article 24 paragraph (2), Article 24 paragraph (3), Article 24 paragraph (4), Article 24 paragraph (5), and/or Article 24 paragraph (6) shall be subject to an administrative sanction in the form of written warning and payment obligation of 1% (one percent) of the nominal transaction value for each breach for a minimum of Rp10,000,000.00 (ten million rupiah) and a maximum of Rp1,000,000,000.00 (one billion rupiah).
- (2) The calculation of breached nominal amount of transactions for Article 4 paragraph (1), Article 4 paragraph (2), Article 5 paragraph (2), Article 6 paragraph (3), Article 6 paragraph (5), Article 7 paragraph (1), Article 19 paragraph (2), Article 19 paragraph (4), Article 21 paragraph (1), Article 21 paragraph (2), Article 22 paragraph (1), Article 22 paragraph (2), Article 23, Article

24 paragraph (3), Article 24 paragraph (4), Article 24 paragraph (5), and Article 24 paragraph (6) as follows:

- a. difference between the total nominal transaction value of foreign currency and Rupiah in a threshold of requirement of fulfillment of Underlying Transactions; or
 - b. the total nominal Foreign Exchange Transaction against Rupiah unsupported by Underlying Transactions if the nominal value of transaction is below a threshold but netting is applied.
- (3) The payment sanction as referred to in paragraph (1) is calculated using JISDOR on the breach date.
- (4) Further provisions for the sanctions as referred to in paragraph (1) will be regulated in a Circular Letter of Bank Indonesia.

CHAPTER IX TRANSITIONAL PROVISIONS

Article 30

Any Bank which has conducted Foreign Exchange Transaction against Rupiah with a Foreign Party prior to the enforcement of this Bank Indonesia Regulation may continue the transactions until their due dates.

CHAPTER X CLOSING PROVISIONS

Article 31

At the time when this Bank Indonesia Regulation comes into force:

- a. Bank Indonesia Regulation Number 16/17/PBI/2014 on Foreign Exchange Transaction against Rupiah between a Bank and Foreign Party (State Gazette of the Republic of Indonesia of 2014 Number 213 and Supplement to State Gazette of the Republic of Indonesia Number 5582);

- b. Bank Indonesia Regulation Number 17/7/PBI/2015 on Amendment to Bank Indonesia Regulation Number 16/17/PBI/2014 on Foreign Exchange Transaction against Rupiah between a Bank and Foreign Party (State Gazette of the Republic of Indonesia of 2015 Number 117 and Supplement to State Gazette of the Republic of Indonesia Number 5702);
- c. Bank Indonesia Regulation Number 17/14/PBI/2015 on the Second Amendment to Bank Indonesia Regulation Number 16/17/PBI/2014 on Foreign Exchange Transaction against Rupiah between a Bank and Foreign Party (State Gazette of the Republic of Indonesia of 2015 Number 202 and Supplement to State Gazette of the Republic of Indonesia Number 5737);
- d. Bank Indonesia Regulation Number 17/16/PBI/2015 on the Third Amendment to Bank Indonesia Regulation Number 16/17/PBI/2014 on Foreign Exchange Transaction against Rupiah between a Bank and Foreign Party (State Gazette of the Republic of Indonesia of 2015 Number 224 and Supplement to State Gazette of the Republic of Indonesia Number 5744);

are repealed and declared ineffective.

Article 32

This Bank Indonesia Regulation will come into force on the date of its promulgation.

In order that every person may know hereof, it is ordered to promulgated this Bank Indonesia Regulation by its placement in the State Gazette of the Republic of Indonesia

Issued in Jakarta
on 5 September 2016

BANK INDONESIA GOVERNOR

AGUS D.W. MARTOWARDOJO

Promulgated in Jakarta
on 7 September 2016

MINISTER OF LAW AND HUMAN RIGHTS OF
THE REPUBLIC OF INDONESIA,

YASONNA H. LAOLY

STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2016 NUMBER 184

ELUCIDATION
OF
BANK INDONESIA REGULATION
NUMBER 18/19/PBI/2016
ON
FOREIGN EXCHANGE TRANSACTION AGAINST RUPIAH
BETWEEN BANKS AND FOREIGN PARTIES

I. GENERAL

To perform the duty of Bank Indonesia to achieve and maintain Rupiah stability, it is necessary to accelerate the achievement of liquid and efficient financial market, which will eventually support national economic activities. To achieve liquid and efficient financial market, one of the necessary efforts is to comprehensively and inclusively develop domestic foreign exchange market. The comprehensive effort may be made through enrichment of instrument variations to serve as alternatives for market participants to conduct hedging in the domestic foreign exchange market to manage non-bank corporate external debts. Comprehensive development of foreign exchange market is also conducted among others through infrastructure development, and improvement of market credibility as well as coordination by observing the prudential principles in conducting transactions in foreign exchange market.

II. ARTICLE BY ARTICLE

Article 1

Sufficiently clear.

Article 2

Sufficiently clear.

Article 3

Paragraph (1)

The term “Contract” means:

- a. written confirmation in the form of foreign exchange derivative transaction contract commonly used by market participants and/or issued by the relevant association; and/or
- b. written confirmation which indicates transactions in the form of among others dealing conversation or Society of Worldwide Interbank Financial Telecommunication (SWIFT).

Paragraph (2)

Letter a

At the time of the issuance of this Bank Indonesia Regulation, the banking authority provisions on categories of Banks, which may conduct foreign exchange transaction activities, specify that a Bank which may conduct Foreign Exchange Transaction against Rupiah, both Spot Transactions and plain vanilla Derivative Transactions (forward, swap, option, and CCS) must at least be Commercial Bank in Business Group (BUKU) 2 and Bank which may conduct Foreign Exchange Transaction against Rupiah in the form of structured product foreign exchange against Rupiah must at least be Bank of BUKU 3.

Letter b

Authority’s Provisions on application of Bank’s risk management among others specify that a Bank is required to apply risk management effectively which at least includes:

1. active supervision of the board of commissioners and board of directors;
2. adequacy of policies, procedures, and determination of limits;

3. adequacy of identification, measurement, monitoring, and control of risks as well as risk management information system; and
4. comprehensive internal control system.

Letter c

Sufficiently clear.

Letter d

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

At the time of the issuance of this Bank Indonesia Regulation, banking authority's provisions on the prudential principles in conducting structured product activities for commercial banks specify among others the following:

- a. a Bank's obligations to effectively apply risk management in conducting structured product activities which at least include:
 1. active supervision of the board of commissioners and board of directors;
 2. adequacy of policies and procedures;
 3. adequacy of identification, measurement, monitoring, and control of risks as well as risk management information system; and
 4. internal control system,
- b. a prohibition for Bank from offering and conducting structured product transactions with customers classified as retail customers;
- c. a prohibition for Bank from offering and conducting structured product transactions with eligible customers if the transactions:
 1. may incur potential loss exceeding the principal deposited by a customer; and/or
 2. the structured product is combination of derivatives,
- d. a Bank's obligations to apply information transparency in conducting marketing, offering, and implementation of structured product transactions among others include:

1. disclose complete, accurate, and not misleading information to customers;
 2. ensure providing balanced information between the potential benefits and risks arising to customers from structured product transactions; and
 3. ensure the provided information does not disguise, reduce, or conceal important matters related to potential risk arising from structured product transactions, and
- e. A Bank's obligations to give time for customers to review offers and documents provided by a Bank among others include:
1. provide cooling off period between the offer delivery time by the Bank and the time for a customer to decide whether to accept or reject any structured product transactions; and
 2. the provided cooling off period shall at least be 2 (two) working days after a customer receives the offering document.

Paragraph (5)

Sufficiently clear.

Article 4

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Letter a

Sufficiently clear.

Letter b

The term "foreign direct investment" means direct investment of a Foreign Party into a country.

The term "Any other investments" among others include investments and/or transactions conducted to implement government's policy on taxation.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Letter a

Sufficiently clear.

Letter b

In the event that a fund transfer company receives an instruction from its customer to purchase foreign currency for the customer's transfer purposes, such instruction shall not be used as an Underlying Transaction.

Letter c

Sufficiently clear.

Letter d

Sufficiently clear.

Paragraph (6)

Sufficiently clear.

Paragraph (7)

Sufficiently clear.

Article 5

Sufficiently clear.

Article 6

Sufficiently clear.

Article 7

Paragraph (1)

Letter a

The term "realization of investment" means flow of funds from a Foreign Party to complete an investment activity, including on going investments.

Letter b

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Article 8

The term “cover hedging” means hedging conducted by a Bank to a bank overseas as a Foreign Party for hedging conducted by a Bank’s customer to the relevant Bank with customer’s Underlying Transaction.

Article 9

Sufficiently clear.

Article 10

Paragraph (1)

The term “structured product foreign exchange transaction against Rupiah” means a combination instrument of derivatives of foreign exchange against Rupiah, or combination between derivative of foreign exchange against Rupiah and money market instrument, tradable in the domestic foreign exchange market.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Letter a

Sufficiently clear.

Letter b

In the event of the nominal value of an Underlying Transaction is higher than that of a Call Spread Option transaction, the Underlying Transaction may be used as an Underlying Transaction for a different Call Spread Option transaction and/or another Foreign Exchange Transaction against Rupiah to the extent it does not exceed the nominal value of the Underlying Transaction.

Letter c

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Article 11

Paragraph (1)

The term “Dynamic hedging” means a Call Spread Option transaction conducted more than once, and constitutes an integral part of an initial Call Spread Option transaction to ensure a hedging party is unexposed to exchange rate risk.

Paragraph (2)

The term “Market rate” means the exchange rate commonly used and agreed by market participants, among others are the rates available on Bloomberg and Reuters.

Paragraph (3)

Letter a

The term “the range of the exchange rate does not overlap ” means range of dynamic hedging rate does not intersect with the range of initial Call Spread Option rate.

Letter b

The term “the range of the exchange rate does not have a gap” means range of dynamic hedging rate does not exceed the range of initial Call Spread Option rate.

Letter c

Sufficiently clear.

Letter d

The term “the nominal is not cumulative ” means the nominal value of dynamic hedging transaction is calculated based only on the nominal value of an initial Call Spread Option transaction.

Letter e

Sufficiently clear.

Letter f

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Article 12

Sufficiently clear.

Article 13

Paragraph (1)

The term “full transfer of principal fund” means real fund transfer for each selling and/or purchase transaction of foreign exchange against Rupiah in an amount equal to the transaction nominal value or its equivalent.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Sufficiently clear.

Paragraph (6)

The settlement of selling of foreign currency against Rupiah through forward transaction up to threshold may not be conducted through unwind because it will result no full transfer of principal fund.

Paragraph (7)

Sufficiently clear.

Paragraph (8)

Sufficiently clear.

Article 14

Sufficiently clear.

Article 15

Letter a

Sufficiently clear.

Letter b

The term “deposit” means fund deposit of a Bank into another Bank in the form of current account, interbank call money,

term deposit, negotiable certificate of deposit, Credit or Financing, and other similar fund deposits.

Letter c

Sufficiently clear.

Letter d

The term “interoffices invoicing” means all invoices of a Bank to a headquarter or branch office overseas for the interest of the Bank and customer, namely:

- 1 for branch office of a bank domiciled overseas, an invoice means any invoices that comes from the branch office of a bank domiciled overseas to the headquarter and/or other branch offices overseas; and
- 2 for Bank headquartered in Indonesia, an invoice means any invoices that comes from the headquarter and/or branch office in Indonesia to a branch office overseas.

Letter e

Sufficiently clear.

Letter f

The term “capital authorization” means Bank’s fund investment in the form of shares to a Bank and company engaged in financial sector as regulated in the applicable laws and regulations, such as leasing company, joint venture, securities company, insurance, and clearing and deposit securities agency, including investment in convertible bonds with equity options or certain types of transactions, resulting a Bank to have or will have shares in the Bank and/or any other company engaged in financial sector.

Article 16

Letter a

Sufficiently clear.

Letter b

Item 1)

The term “lead bank” means a bank taking a role as a coordinator and is a syndication member.

Item 2

The term “real sector” means production sector as well as goods and services trade sector, excluding financial services sector such as trade of Securities.

Item 3)

Sufficiently clear.

Letter c

Including credit cards to purchase production goods (procurement card).

Letter d

The “Consumption Credit or Financing” means extension of Credit or Financing for domestic consumption purposes among others to buy and rent, including Credit or Financing for houses, apartments, shop houses, and office houses, as well as Credit or Financing for vehicle purchase.

Letter e

The term “Authenticated document” means a document verified or validated by a system or non-system.

Letter f

Sufficiently clear.

Letter g

These provisions are subject to the provisions issued by banking authority on the prudential principles in extension of Credit or Financing by a Bank.

Article 17

Letter a

The term “securities purchase related to export of goods from Indonesia and import of goods to Indonesia” means purchase of Export Draft and Banker’s Acceptance based on Letter of Credit (L/C) or Non-Letter of Credit (non-L/C) transactions.

The term “Purchase of securities purchase related to domestic trade” means purchase of draft or Banker’s Acceptance based on Letter of Credit (L/C) transactions.

Letter b

Sufficiently clear.

Article 18

Sufficiently clear.

Article 19

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

The term “fund beneficiary status” means the fund beneficiary status as a Foreign Party or non-Foreign Party.

Paragraph (5)

Sufficiently clear.

Article 20

Sufficiently clear.

Article 21

Paragraph (1)

Letter a

The term “final” means an Underlying Transaction document which will not change in terms of amount and/or the time to fulfill the requirement.

Letter b

The term “authenticated written statement” means a statement verified or validated by a system or nonsystem.

Paragraph (2)

The term “authenticated written statement” means a statement verified or validated by a system or nonsystem.

Paragraph (3)

Sufficiently clear.

Article 22

Paragraph (1)

Letter a

The term “final ” means an Underlying Transaction document which will not change in terms of amount and/or the time to fulfill the requirement.

Letter b

The term “authenticated written statement” means a statement verified or validated by a system or nonsystem.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Article 23

Sufficiently clear.

Article 24

Sufficiently clear.

Article 25

Sufficiently clear.

Article 26

Sufficiently clear.

Article 27

Sufficiently clear.

Article 28

Sufficiently clear.

Article 29

Sufficiently clear.

Article 30

Sufficiently clear.

Article 31

Sufficiently clear.

Article 32

Sufficiently clear.